

Revised 2017-19 State Budget Proposals

5/17/17 Summary

Earlier this month it was reported that eroding income tax receipts have caused anticipated revenues to fall for the next two fiscal years by \$1.46 billion. Budget deficits have now risen from \$1.7 billion to \$2.3 billion in FY 2017-2018 and from \$1.9 billion to \$2.8 billion in FY 2018-2019. As a result, Governor Malloy issued a revised budget proposal Monday, May 15 to compensate for the decline in tax receipts. Legislative Democratic and Republican leaders followed suit on Tuesday, May 16.

All parties met briefly this week to exchange proposals and are expected to resume budget negotiations on Wednesday, May 24. A brief summary of the updated proposals are below. *

Governor	Democrats	Republicans
<p>The governor’s revised plan retains his proposal to tax nonprofit hospitals’ real property, shift teachers’ pension costs to municipalities and realize \$1.57 billion in savings from state employee concessions. It also reduces fringe benefit accounts based on staffing reductions in FY 2017 and further budgeted reductions.</p> <p>The proposal slashes municipal aid \$700 million, eliminates the State Contracting Standards Board, drastically cuts the community college and state university systems, reduces funding to state technical high schools, cuts Medicaid and nutrition assistance programs and makes deep staff reductions in many state agencies.</p> <p>The governor also proposing transferring adult probation and juvenile programs from the Judicial Branch, eliminates the small hospital pool, and reduces funding for school based health centers</p> <p>On the revenue side, the proposal removes sales tax exemptions from nonprescription drugs, eliminates the Angel Investor tax credit and increases real estate conveyance taxes on properties over \$800,000,</p>	<p>House and Senate Democrats issued a joint budget framework that drastically cuts services and municipal aid. The proposal relies, like the governor’s plan, on \$1.5 billion in state employee concessions. It cuts overall spending by 7.1%, including approximately \$400 million to municipal aid and \$10 million in education funding.</p> <p>The Democrats’ plan authorizes at least one new casino, legalizes the recreational sale of marijuana, reestablishes tools and creates a paid family leave program. It also relies heavily on agency consolidation and the sale of surplus state property, bunt does include \$90 million in saving from insourcing work that has been previously privatized.</p> <p>Democrats dismiss the governor’s plan to shift teacher retirement costs to municipalities, tax non-profit hospitals, and restore some of the property tax credit he proposes to eliminate. They agree, however to cut the earned income tax credit (EITC) for the working poor.</p>	<p>House and Senate Republicans offered separate, but similar budget proposals. They both ask state employees to give back more in concession that the governor or the Democrats – more than \$2.2 billion over the biennium.</p> <p>Both Republican proposals eliminate public campaign financing, cut gift and estate taxes, and privatize several state services.</p> <p>Republicans, like Democrats, reject the governor’s proposal to shift teacher pensions costs to municipality. They also agree to eliminate the Municipal Revenue Sharing Account (MRSA), but offer a temporary transitional grant to mitigate losses in the first year of the budget. Shared proposals include deep cuts to higher education, risking campus closures.</p> <p>House Republicans propose to establish a single human resources unit within the Department of Administrative Services (DAS), consolidating IT functions across agencies, reducing statewide overtime by 10%, reducing the number of deputy commissioner and confidential staff and mandating seven furlough days. Like the governor, Republicans establish a new education funding formula and slightly increase education funding.</p>

*Includes detail from *The Worker Bee*, CT AFL-CIO, May 19, 2017